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FARMERS' NEWSLETTER

Livestock



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PRODUCTION SECTION
CURRENT SERIAL RECORDS

Cattle feeders are today only one group bidding for a limited number of feeder calves selling for record prices.

They must compete this spring against stocker operators buying calves to go back on grass and against farmers and ranchers who've decided to defer calf sales until fall.

If you're a stocker operator with abundant pasture, you're in a good position to buy expensive calves and probably still turn a good profit. But you'll want to watch the market closely and guard against holding them too long.

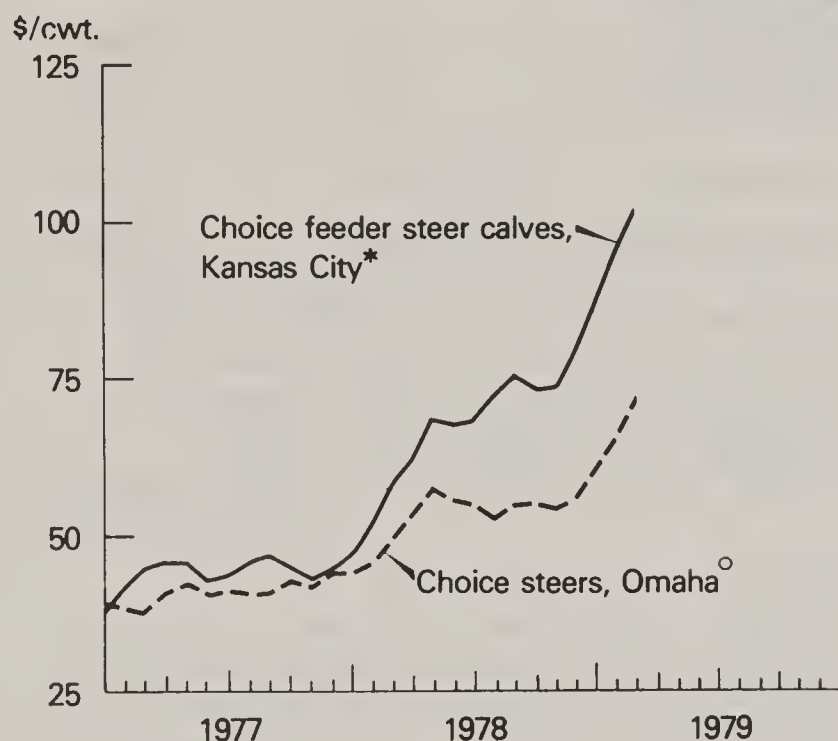
A Changed Situation

After about 4 years of depression, feeder cattle prices rebounded in 1978. The low prices, of course, had triggered the decline in the cattle inventory that created the present shortage of feeders.

The cattle inventory declined 16 percent from the 1975 peak of 132 million head to about 111 million at the start of this year.

This reduction has made additional grazing land available in most areas. Also, because the 1979 grazing season is beginning with excellent moisture conditions around the country, there is the likelihood of a good grazing year and abundant hay supplies if these conditions continue.

FEEDER CALF vs. FED STEER PRICES



* 400-500 lbs.
° 900-1,100 lbs.

Accordingly, many cow-calf operators appear to be retaining some of their feeder calves. Others, meantime, are buying additional calves to put on grass.

The cost, beyond the value of the feeder calves, of using this excess grazing is minimal. While nearly all of the steer calves eventually will be placed on feed, most won't be sold to feedlots until grazing conditions deteriorate. This means some may only spend a short time in the feeding pen.

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APRIL 1 FEEDER CATTLE SUPPLIES OFF 5 PERCENT FROM YEAR AGO

Item	1976	1977	1978	1979	1978 to 1979 % change
			1,000 head		
Cattle less than 500 pounds					
On farms, Jan. 1	34,531	32,363	25,595	27,413	-7
Slaughter, Jan.-Mar.	1,370	1,438	1,251	808	-35
On feed, April 1	662	667	963	798	-17
Net feeder supply	32,499	30,258	27,381	25,807	-6
Steers and heifers 500 pounds and over					
On farms, Jan. 1	24,476	24,942	24,749	23,752	-4
Slaughter, Jan.-Mar.	7,925	7,719	7,708	7,177	-7
On feed, April 1	10,714	10,433	11,319	10,781	-5
Net feeder supply	5,837	6,790	5,722	5,794	+1
Total net feeder supply	38,336	37,048	33,103	31,601	-5

Also, many heifers now being held off the market to capitalize on the abundant grazing may be kept to expand beef cow herds if the outlook for cattle prices stays good.

Heifers added to the cow herd now will mean more feeder calves in 16 to 18 months. The present situation of good grass and reduced heifer marketings has created a shortage of feeder calves.

This situation should continue until fall. The major factor that could change the situation, and the one to watch, is grazing conditions. The heightened demand for feeder calves to go back on grass is a big concern to feedlot operators.

Feedlot Placements Down Sharply

Operators in January-March placed 9 percent fewer cattle on feed in the 23 major feeding States than a year earlier.

Net placements--total placements less death losses, movements from feedlots to pasture, and shipments to other feedlots--fell nearly 10 percent. Cattle placed on feed during the first quarter usually go

to market near the end of the second quarter and into the third quarter.

Although feedlot inventories were down 6 percent compared with last year, many were heavier weight cattle to be marketed in April and May.

Steers on feed weighing under 700 pounds declined by 7 percent, heifers by nearly 19 percent. Cattle from these weight groups are normally marketed in the third and early fourth quarters.

Although overall feedlot placements and inventories fell, there were actually 1 percent more feeder cattle weighing over 500 pounds that were not in feedlots. This reflects the movement back to grass. Still total supply of feeder calves outside feedlots declined by 5 percent from last year.

Fewer Cattle Off Wheat This Year

Last year, feedlot placements during May and June got a big boost from cattle coming off wheat under the program allowing farmers to graze out their wheat.

Nearly 1.4 million head of cattle were on wheat grazed out last year.

Although weight gains on wheat pastures are slower than in feedlots, many of these cattle will spend some time on feed and still go to market in the third quarter.

This year, however, participation in the wheat grazeout program likely will be much less than last year. The wheat did not look all that good last fall--and then endured a rough winter and late spring.

Many of you apparently have not been willing to assume the risk associated with buying high-priced feeder calves for grazing. Therefore, calf movement off wheat toward feedlots will be much less.

Feedlot Vs. Grass

Fed cattle currently are bringing record prices. How is it then, that feedlot operators are being outbid by stocker operators for calves to go on grass?

Feeder steer calves weighing 500 pounds now sell for about \$100 per hundredweight. If these calves average 650 pounds when sold off pasture this fall, the break-even price on the purchase weight will be about \$77 per hundredweight.

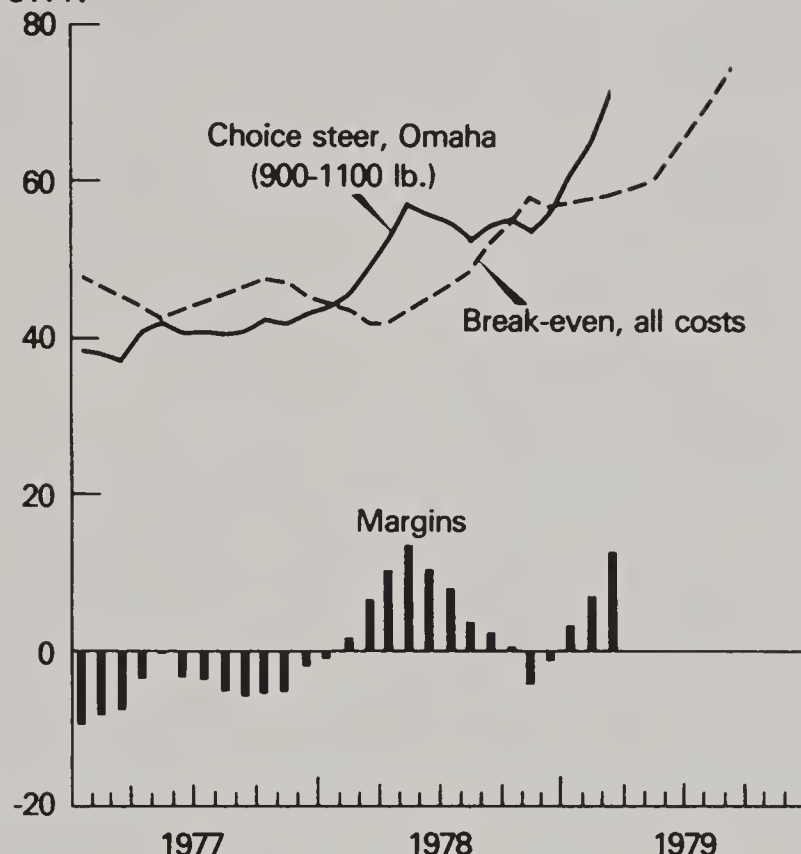
Of course, stocker operators must also pay out marketing, hauling, and veterinary charges and absorb any death losses. However, these and other associated out-of-pocket costs are fairly low if you have excess grass.

Feeder calves weighing 650 pounds now sell for \$85 to \$90 per hundredweight. Obviously, if a stocker can get prices in this range this fall when calves on grass are marketed, this would be a good return for this alternative.

The cattle feeder isn't as fortunate. He pays not only for

RECORD FEEDER COSTS DRIVE UP BREAK-EVEN PRICES

\$/CWT.



Selling price required to cover costs of feeding 600 lb. feeder steer to 1,050 lb. slaughter in corn belt.

the feeder calf, but also for feed and other inputs, which are primarily all cash costs.

Recent feedlot marketings were earning profits of well over \$10 per hundredweight sold. However, these cattle had been placed on feed last fall at about \$60. Today, comparable placements cost \$90.

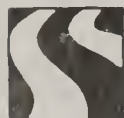
Suppose there are only modest increases in other costs. Even so, the break-even price on these feeder calves next fall when marketed would be about \$78.

Although fed cattle prices appear attractive over the next several months, they are not expected to be as strong in the fall.

Fed Cattle Prices Could Slip

Broiler and pork producers are expanding their output in response to higher prices. Pork production

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BREAK—EVEN STOCKER STEER MARGINS

Purchase weight	\$ per cwt.	\$ per head	Selling weight			
			450	550	650	750
			\$ per cwt.			
400	110	140	97.77	80.00	67.69	58.67
500	100	500	—	90.91	76.92	66.67
600	90	540	—	—	83.08	72.00

¹ Selling price required to break even on the initial cost of the stocker calf purchased. Ignores all other cost and death loss.

in particular, is expected to climb sharply this fall, placing downward pressure on meat prices.

Faced with prospects for rising supplies of competing meats, and thus the possibility of lower fed cattle prices in the fall, many feedlot operators have balked at paying the higher prices required to outbid stocker operators.

However, just as the cattle feeder must weigh the odds on fed cattle prices this fall, so must the stocker operator remember that feeder cattle supplies generally peak in the fall.

That's when calves from the spring calf crop, stocker cattle held over on grass, and heifers not retained

for the cow herd typically enter the feedlot.

As a result, stocker operators will want to watch the market closely as fall approaches. Prospects for increasing feeder cattle availability and increased pork and broiler production may force down the prices feeders can pay for feeder cattle. Lower feeder cattle prices would reduce stocker operators' profits when they sell.

Keep a close eye on grazing conditions and consider selling some calves on especially strong markets as peak grazing conditions end.

And don't forget that now is a good time to let the pastures and ranges build up again from the heavy grazing and droughts of the past few years, before the cow herd is expanded again. If you wait too long to market the calves off grass, it may reduce your profits and future grazing capacity.